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MEMORANDUM

Date: April 30, 2010

To: The Honorable Jose Solorio, Chair
The Honorable Sam Blakeslee, Vice Chair
Members, Assembly Insurance Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kimberley Dellinger Dunn, General Counsel
Ermelinda Ruiz, Legislative Advocate

Re: AB 1871 (Jones) Motor Vehicle Insurance Coverage: Personal Vehicle Sharing

Assembly Insurance Committee – Hearing May 5, 2010 PIFC Position: Oppose Unless Amended

The Personal Insurance Federation of California, representing insurers who write over 60% of the auto insurance sold in the state, including State Farm, Allstate, Farmers, Liberty Mutual Group, Progressive, and NAMIC, **opposes, unless amended, AB 1871 by Assembly Member Jones.**

AB 1871 would amend current auto insurance laws to allow personal vehicles to be used in car-sharing programs. Currently, auto insurers prohibit individual policyholders from renting out their personal vehicles. Assemblyman Jones has introduced this measure on behalf of two companies that are in the business of car-sharing.

While the recent amendments go a long way to eliminate our member's liabilities for vehicles they insure, we still have concerns about the bill when non-disclosed drivers are driving the car. For example, even though the current amendments begin to provide clarity on liability coverage, what about the collision/comprehensive coverage and the duty to defend? Would that fall on the owner's insurer? Under current policies, we have an obligation to defend our insureds and permissive users in accidents. Does this mean if there is a lienholder or other additional insured on the vehicle we would not be under obligation to defend our insured or provide liability while the vehicle is used for a car share? It should be made clear that we would not have this obligation with a car-sharing vehicle.

Also, we would like additional clarification that when a vehicle is being used in a ride sharing program that PIFC members do not run the risk that the owner will think there is a premium discount for the periods of time that the car is being used by another. Simply put, will customers want credit on their insurance premiums every time their vehicle goes to car share due to duplicate coverage?

Additionally, the Department of Insurance's recently adopted Pay-As-You-Drive regulations allow insurers to verify mileage and base insurance premiums on the actual number of miles driven by a policyholder. How would an insurer calculate the number of miles driven by a policyholder and exclude the miles driven while the car was in the car-sharing program since the policyholder should only be charged for the actual miles he or she has driven?

While we greatly appreciate the author and sponsor's willingness to work with us, the bill still needs additional clarification. So, for the foregoing reasons, **PIFC opposes, unless amended, AB 1871** and urges your **"no"** vote. If you have any questions regarding PIFC's opposition, please contact Michael A. Gunning at (916) 442-6646.

cc: Honorable Dave Jones, Author
Mark Rakich, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Mike Proso, Legislative Secretary for the Governor